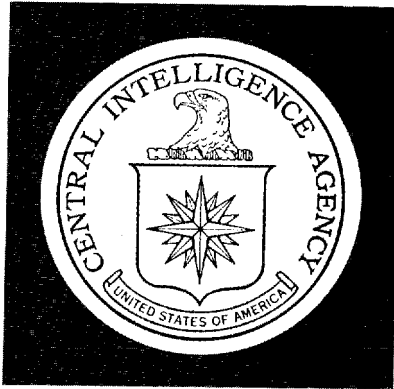


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

State Dept. review completed.

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20 June 1969
No. 0375/69

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FAR EAST

Battle lines for future political confrontation between the Saigon government and the Communists have hardened in the wake of the Communist announcement of a provisional revolutionary government and President Thieu's recent efforts to line up his political support. At the same time, ambitious politicians in Saigon have been encouraged by the Communist move to disassociate themselves from either side and promote themselves as an alternative "third force."

Communist forces increased their attacks against allied military targets this week while continuing to prepare for another upsurge of offensive action. Enemy shellings of allied bases and field positions were accompanied by some follow-up ground attacks.

Government ministries in Communist China are beginning to function more normally in the aftermath of the ninth party congress, but basic policy and staffing problems have not been resolved. Peking has been insisting that many cadres purged during the Cultural Revolution must now be restored to active roles, suggesting that those with the greatest interest in order and national development are now influential enough to put the radicals on notice that obstruction of cadre rehabilitation will not be tolerated. Political disunity and sporadic violence continue to erupt in several provinces, and meaningful progress toward normal governmental operations is likely to be slow at best.

Heavy rains have brought a lull to the ground war in Laos, but government forces are planning new initiatives. Except for inroads in the northeast, the Communists brought neither substantial new territory nor great numbers of additional people under their control during the recently ended dry season.

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VIETNAM

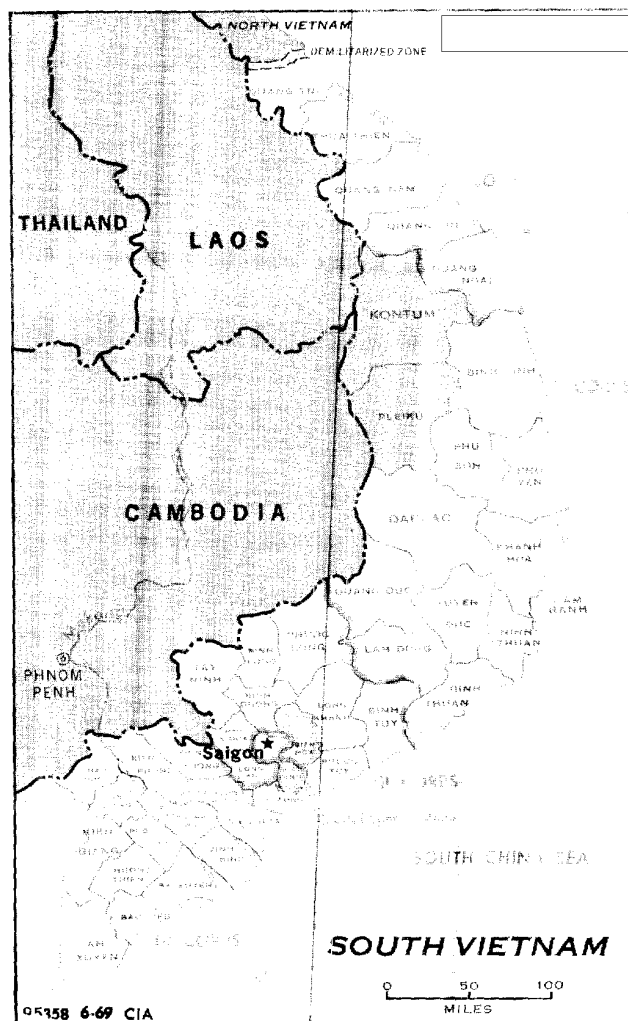
Communist military forces stepped up their attacks against allied military targets throughout South Vietnam this week while continuing to prepare for another upsurge of offensive action.

Enemy shellings of allied bases and field positions were accompanied by some follow-up ground attacks. South Vietnamese infantrymen and US Marines were targets of several heavy ground attacks in the northern provinces and allied forces throughout III Corps were struck.

The largest attack was an abortive assault against the Thai base camp in Bien Hoa Province where 212 of the enemy forces were killed. More than 1,800 of the enemy have been killed in western Kontum and Pleiku provinces, where intense fighting has continued since early May. The three Communist infantry regiments in this area, however, have been brought up to strength with newly infiltrated North Vietnamese troops and are in a position to maintain the recent high level of combat.

Many Communist military units are in the final stages of combat preparation and have been actively engaged in reconnaissance operations. Some appear to be deploying toward intended target

areas. Evidence now indicates that the Communists' "summer" campaign is to be limited and moderate in intensity, and will emphasize harassment of scattered allied installations in order to limit



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losses of Communist forces and materiel. Shellings and limited ground probes will probably be concentrated in I and III Corps and at present there does not appear to be any appreciable threat to Saigon.

Political Developments

With their military units poised for attack, the Communists are examining the impact of their new provisional government in the political arena. The Communist announcement last week, coupled with President Thieu's recent efforts to line up his political support, has hardened the battlelines for a future political confrontation. It has also encouraged ambitious politicians in Saigon to disassociate themselves from either side and promote themselves as an alternative "third force."

Several of the most important opposition groups in South Vietnam met on 15 June to discuss the establishment of some sort of opposition group to Thieu and his National Social Democratic Front. The major figures involved were Senator Tran Van Don, former chief of state Phan Khac Suu, Hoa Hao leader Phan Ba Cam, Nguyen Ngoc Huy of the National Progressive Movement (NPM), plus emissaries from Father Hoang Quynh and the An Quang Buddhists. The cement holding these disparate forces

together appears to be their belief--shared more or less by Thieu--that South Vietnam needs to organize a nationalist opposition party to provide an alternative for those who might otherwise turn to the Communists. Such political luminaries as Don, Suu and even Cam demonstrated considerable vote-getting ability in the 1967 elections, while the NPM is partly made up of the political organizations which supported Truong Dinh Dzu's strong run for the presidency.

At the other end of the opposition spectrum is leftist lawyer Tran Ngoc Lieng, who has publicly called for the immediate investiture of a "government of conciliation." He reportedly envisions an alliance of neutralists, antigovernment nationalists and militant Buddhists collaborating to force out the present government by forming a temporary one which he fancies would include such influential personalities as Senator Don and General "Big" Minh. Lieng allegedly advocates cooperation with the Communists' provisional government in an interim coalition that would hold elections in South Vietnam.

Lieng's grandiose scheme fits the standard Communist scenario demanding the ouster of the present government and the establishment of a peace cabinet. As a result, the government has

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already taken steps to put the lid on Lieng's nascent organization by calling in various members for questioning. Thieu had warned on his return from Midway that he would not tolerate the open advocacy of a coalition government.

Meanwhile, there appears to be increasing displeasure with Prime Minister Huong's conduct of office, although there is no indication that President Thieu has soured on him.

Opposition to Huong within the military establishment may also be increasing. The prime minister has never received much support from military leaders but many officers reportedly are now concerned by the government's inability to do anything about the rising cost of living and believe that conditions will not improve until the Huong cabinet is replaced.

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CAMBODIA AGREES TO RE-ESTABLISH RELATIONS WITH THE US

One of Prince Sihanouk's main purposes in declaring that he is ready to re-establish diplomatic relations with the US probably is to place Cambodia in a better position to put further pressure on the Vietnamese Communists.

In his statement on 10 June to the Council of Ministers, Sihanouk argued that establishing relations with the US would enable Cambodia to avoid becoming "too isolated." He implied that an official American presence would improve Cambodia's ability to resist pressures from both local and Vietnamese Communists, and would strengthen his hand in present military and diplomatic efforts to limit Vietnamese activity in Cambodia.

Sihanouk cited the predominant US influence in such international programs as the Mekong River basin development and the International Monetary Fund, and claimed that improved relations with Washington would make available more resources for Cambodian development. Attracting foreign investment has been a major theme in Phnom Penh's current plan to revitalize the country's lethargic economy. Sihanouk rejected, however, the idea of asking for direct US aid unless free of "conditions."

The quickness with which Sihanouk recognized the Vietnamese Communists' recently declared Provisional Revolutionary Government, indicates his continuing willingness to meet them half way.

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COMMUNIST MILITARY ACTIVITY IN LAOS LESSENS

Heavy rains have brought a lull to the ground war but government forces are planning new initiatives.

Communist forces appear to be moving into a defensive posture after one of their more restrained dry seasons in recent years. For several weeks enemy forces have been consolidating their hold over portions of southern Xieng Khouang Province they had lost to government guerrillas in late April.

There have been tenuous signs that some North Vietnamese forces are being withdrawn from Laos as part of the routine wet season operational standdown, but so far most of the troops that entered the country last fall are still there. The burdens of mounting overland military operations in the wet season probably will cause the Communists to refrain, as they have in past years, from any substantial military initiative over the next several months.

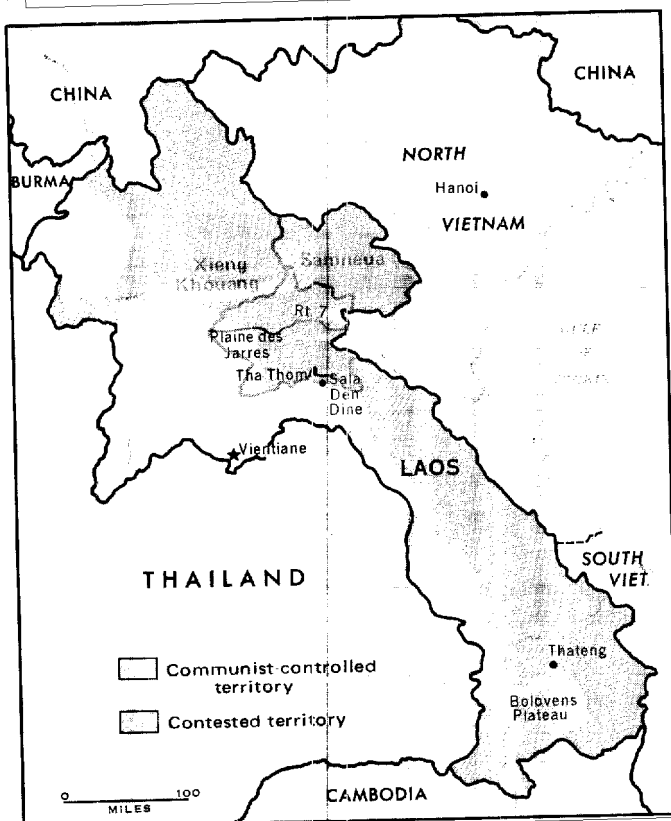
Meanwhile, elements of three government battalions have recently taken Sala Den Din in preparation for an assault against Tha Thom, a supply center that the Communists captured last year. Farther north, Meo leader Vang Pao intends to extend government holdings near the Plaine des Jarres and increase harassment against Route 7. Vang Pao's preoccupation with this area apparently rules out any early effort to re-establish the government's presence in tribal areas farther north.

Except for inroads in the northeast, the Communists brought neither substantial new territory nor great numbers of additional people under their control during the dry season. The exodus of large

numbers of a progovernment tribal population from the northeast, combined with the loss of Na Khang, an important government staging base, will, however, add significantly to the government's increasing difficulties in operating behind the enemy's lines in Samneua Province. In the south, Thateng, on the northeastern edge of the Bolovens Plateau, was the only important government position to fall into enemy hands this year.

The alarmist reaction of the government leaders to these limited losses was the most noteworthy feature of the past dry season. It suggests that the will of the leadership to withstand future Communist threats may be slipping.

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PEKING SHOWS FURTHER SIGNS OF NORMALITY

Government ministries are beginning to function more normally in the wake of the ninth party congress held last April. Basic policy and staffing problems have not, however, been resolved as Peking has concentrated on quelling resistance to its drive to restore political unity and rehabilitate some cadres.

Without publicity, Peking has taken some steps toward dealing more responsibly with pressing domestic problems. New attention, for example, is being devoted to the urgent problem of birth control--largely ignored during the Cultural Revolution. The clearest move toward more conventional operations is in the post-congress conduct of foreign affairs; 12 of China's 45 ambassadors have returned to duty.

Despite these indications of a more businesslike approach, the party congress evidently failed to act on basic economic and social policies. Instead its

energies were taken up by divisive political issues, especially cadre "rehabilitation," which have broad implications for every group in the power structure.

Peking on 8 June broadcast its most authoritative pronouncement to date on restoring political unity at all levels. This statement insisted that many cadres who had been purged during the Cultural Revolution must now be restored to positions of authority and excoriated "leftists" who are blocking progress in this field. This suggests that elements in China's leadership with the greatest interest in order and national development--primarily the central and regional military leaders--are now influential enough to put the radicals on notice that obstruction of the rehabilitation process will not be tolerated.

Peking has a long way to go in solving this problem, however, as political disunity and sporadic factional violence continue to erupt in several provinces. Hence, meaningful progress toward normal governmental operations is likely to be slow at best.

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COMMUNIST CHINA PREPARED FOR BIRTH CONTROL

A nationwide contraception program now appears feasible for the first time since the Chinese began experimenting with birth control more than a decade ago. The loop seems to have been selected over other contraceptive methods, and medical personnel needed to administer such a program have been sent to the countryside, the locus of the problem.

After three years of official silence on the subject, pragmatic voices in the government appear to have overcome ideological opposition by arguing the obvious need for population control. Earlier this year Premier Chou En-lai devoted most of an interview

to a discussion of China's population problem. The influence of the opposition, however, can be discerned in the almost total absence of press propaganda on the subject.

Intra-uterine devices apparently have been adopted as the type of contraceptive because they are effective, yet cheap and simple to manufacture and require a minimum of medical skills to administer.

The necessary medical personnel to administer a loop program are probably now in the countryside, where 85 per cent

of China's population lives.

during the past year personnel from urban medical centers have been transferred en masse to the communes, partly for political reform. The presence of most of China's doctors, nurses, and medical technicians in the countryside means that for the first time the competence for administering a contraceptive program is now available in rural areas.

The greatest remaining barrier to effective birth control in China is the resistance and lack of sophistication of the peasantry. Rural medical treatment centers being set up to service a new medical insurance program may help in gaining the peasant's acceptance of birth control. People lured to the centers by prospects of inexpensive medical care could become promising subjects for conversion if the program is administered adroitly.

No action that can be envisaged at this time, however, is likely to reduce China's population growth by more than a marginal amount during the next few years. Peking has always avoided coercive methods to enforce birth control. Although the leadership acknowledges that the population is now as much as 750 million, it is probably closer to the 825 million estimated by Western demographers. No matter which figure is closer, it is probable that the population will grow by at least 15 million annually in the near future.

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OPPOSITION TO ANOTHER TERM FOR PRESIDENT PAK GROWS

Opponents of a third term for South Korean President Pak are becoming more confident.

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Leaders of the major opposition party, which has 46 assembly seats, are also showing more confidence that the amendment can be defeated. In an unusual display of unanimity, the party at its annual convention last month re-elected its president by acclamation on a platform pledged to defeat the proposed amendment.

Supporters of Pak have been predicting victory. The government party's secretary general assured the press on 3 June that the amendment would pass when it goes before the assembly--reportedly late this year or early next. Although the party's annual convention has reportedly been set for August, President Pak nevertheless has not publicly committed himself to the amendment and the

activities of the regime's security apparatus belie the confidence expressed by the amendment's proponents.

Public attention probably has been temporarily diverted from the third-term issue by the recent successes of the much improved internal security forces in frustrating seaborne infiltration attempts by North Korean agents. On 8 June three North Korean agents were ambushed as they attempted to land on the east coast in the same general area where some 120 agents landed successfully last November. Four days later, a 75-ton agent boat was destroyed in a trap off the southwestern coast. Again on 14 June, three Communist agents were killed after they came ashore near the US air base at Kunsan on the central west coast.

Anti - third-term activity by students threatens to claim the spotlight, however. Possibly encouraged by the success of a student sit-in early in the week, about 500 students at each of two leading Seoul universities held meetings on 19 June against abolishing the no third-term rule. The sit-in was the first since the student demonstrations during the South Korean - Japanese treaty negotiations in 1964-65. The apparent flurry of student activity may be intended to probe the limits of official tolerance in preparation for off-campus demonstrations, reportedly planned to follow the students' return to school this fall.

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EUROPE

The international Communist conference ended with approval of the main conference document by most of the 75 attending parties. Moscow could be pleased that the conference was held at all, that wording was found to win at least the grudging support of most of the parties, and that many speakers backed party chief Brezhnev's attack on China. The final document is vague and propagandistic on doctrinal points, however, and falls far short of providing an action program for the Communist world. The divergent views, so apparent before and during the conference, have hardly been reconciled, and each party can find support for its position in the rhetoric of the conference documents and proceedings.

A consultative meeting of 39 nonaligned countries will open in Belgrade on 8 July, the first such gathering of the so-called uncommitted countries since 1964. Yugoslav leader Tito hopes the gathering will lead to a third nonaligned summit, an enthusiastic view not shared by many of the others who will be attending.

Czechoslovak party leader Husak continues to balance on a tightrope between the demands for change by the Soviet leaders and the needs of the Czechoslovak populace, which fears a return to heavy repressive policies. In Moscow at the international conference, Husak tried to assure his confreres that he had the situation under control at home. He returned to Prague to find the internal party struggle for power intensifying and the population more alienated from his leadership than ever.

The most urgent problems of newly elected French President Pompidou are domestic rather than foreign. Chiefly, the government must find a way to cope with deep-seated labor unrest without causing an inflation that will threaten the franc.



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The stability of the Italian Government is threatened by factionalism within the coalition's Christian Democratic and Socialist parties. The leadership of these parties is being contested in meetings later this month against a background of debate as to whether the Communist Party is a worthy coalition partner.

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USSR CONSIDERS NEW POLICY INITIATIVES IN ASIA

The continued deterioration in relations with China and the belief that the Vietnam conflict is scaling down evidently have led Moscow to consider new policy initiatives in Asia. The Soviets seem to be thinking in terms of proposing some kind of regional cooperation or loosely defined "collective security" arrangements for various Asian countries. Moscow's recall this month of most of its ambassadors to Asian countries, is probably connected with a general policy review.

The Soviet effort appears to have gotten under way in May when Premier Kosygin made separate trips to India, Pakistan, and Afghanistan, only one of which had been long-planned. In each country, Kosygin placed considerable emphasis on the China "menace" and the need for those countries to solve their differences peacefully and to work toward regional cooperation. He evidently followed up these talks with at least one concrete proposal. On 16 June Indian Prime Minister Gandhi said her government had responded favorably to Kosygin's suggestion to discuss freer trade and transit with Pakistan, Afghanistan, and Iran.

On 28 May, an Izvestia article suggested for the first time that Moscow would favor an all-Asian security arrangement. In his speech before the world Communist conference on 7 June Brezhnev noted that "the course

of events" was creating the need for "a system of collective security in Asia," but he did not amplify on these remarks.

The recall of Moscow's ambassadors to Asia probably means that Moscow's ideas are still being formulated. The meeting, which was apparently called in some haste, was probably also prompted by the return to some semblance of normalcy in Chinese diplomacy following the Chinese Communists' ninth Congress and by a desire to review the prospects for settling the Vietnam conflict.

If a "collective security" system for Asia is under consideration, it might contain at least some of the same features as Moscow's European security proposals. This might mean proposing an all-Asian security conference at which all nations would agree to stay out of military blocs, solve their differences peacefully, and work toward better political, economic, and cultural relations.

Even by proposing a "collective security" arrangement for Asia, Moscow would be able to portray itself as interested in Asian peace and harmony in contrast to the Chinese who could be expected to denounce it. Moscow could also present it as a constructive alternative to existing regional organizations which Moscow claims are dominated by the US.

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THE WORLD COMMUNIST CONFERENCE ENDS

The world Communist conference of 75 parties ended on 17 June with adoption of the main document on the "imperialist" threat and the "unity" of the Communist world. Sixty-one parties signed the document without reservation, but five did not sign and nine others gave qualified or partial approval.

The document that emerged from the conference was the result of revisions up to the last moment. It retains its belligerency toward imperialism but is rather bland on the controversial subject of relations among Communist parties. It balances a defense of "proletarian internationalism," with statements devoted to the autonomy of individual parties.

The nonsigners were the Dominican Republic and the Cuban and Swedish parties, which were present only as observers. The British and Norwegian delegates withheld their signatures, pending a decision by their central committees. The parties of Australia, Italy, and San Marino agreed to sign only one of the four sections of the document, that on anti-imperialism. The parties of Switzerland, Sudan, Romania, Spain, Reunion and Morocco are reported to have signed with reservations.

By contrast, other documents which issued from the conference ran into little opposition. The conference endorsed appeals on

the centenary of Lenin's birth, Vietnam and peace. It issued statements in support of the Arabs against Israeli aggression, and solidarity with Communists under repression in several countries. The conference unanimously adopted a proposal to convene a world anti-imperialist congress open to non-Communists, and it set up a commission of 13 parties to prepare it.

The conference as a whole was dominated by the tide of denunciations of China--stimulated by the Soviets--that arose from the floor. In a rough box score of speeches by the 75 delegations, 51, including the Italians, condemned the Chinese leadership by name. Two parties, including Romania, adopted a neutral stance. Nineteen avoided the issue, though several alluded to it by condemning "left opportunism."

Soviet party chief Brezhnev, in a speech to delegates at a reception following the conference, stated that the conference had successfully completed its work. Moscow, with fairly limited goals, got a good deal of what it set out for, but only at the cost of demonstrating the divergent opinions that exist in world Communism. Each party, whether faithfully supporting the Soviet line or not, will find words and phrases in the conference documents and proceedings to support its views. The end result, therefore, may be less, not more, discipline in international Communism.

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GOVERNMENT CRISIS THREATENS IN ITALY

Factionalism within the two major coalition parties, the Christian Democratic and the Socialist, is once again threatening the stability of the center-left government in Italy.

Both parties will face struggles over leadership posts at meetings later this month, and an important faction of the Socialists threatens to form a separate political party. The issue--divisive for both parties--of whether the Italian Communists are worthy of eventual consideration as a coalition partner may become sharper following the Italian party's relatively independent stand at the Moscow conference.

Last month an effort to exclude right-wing leaders from the controlling group of the Socialist party led the right wingers to threaten to walk out of the party. This action still threatens and may occur at the Socialist Central Committee meeting beginning on 23 June. The conservatives are considering re-forming the old Social Democratic party, which united with the Italian Socialist party in 1966. They believe that their opponents in the Socialist party are too willing to open a dialogue with the Italian Communists, look-

ing toward eventual political cooperation.

The Christian Democrats will also meet shortly, in a national congress during the last week in June. Left-wing leaders are pressing for a role in the party leadership which is now in the hands of a coalition of center and conservative factions. Resolution of this problem could well result in major shifts in the party leadership which could in turn lead to a government shake-up.

In recent months the government has made important progress in its domestic program. It has put into effect the new Social Security Pension Law, which calculates pensions at a relatively high percentage of working income. It has also gone forward with a variety of other legislation, ranging from university reform to a divorce bill. The government of Mariano Rumor hopes to keep up legislative momentum despite the prevalent political infighting and thus improve prospects for long-term government stability. The leaders fear, however, that legislative progress may be cut short by an early government crisis and that the problem of the democratic parties' relations with the Communists may then become acute.

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INSTABILITY INCREASES IN CZECHOSLOVAKIA

Party first secretary Husak last week tried to assure the international Communist conference in Moscow that his regime had the domestic situation under control. He returned to Prague, however, to face an intensifying feud between party factions and a population increasingly alienated from his leadership.

Husak's remarks to a press conference in Moscow dispelled popular hopes of a Soviet troop withdrawal and a substantial loan from the USSR in the immediate future. He further implied that these issues would require protracted negotiations at various levels. He emphasized that Prague and Moscow would continue to work out the problems of "normalization," suggesting that the two respective interpretations must still be reconciled.

While Husak was in the USSR, pro-Soviet conservatives stepped up their campaign to return the country to a more orthodox political system. The Czech party bureau, dominated by hard liners, is planning sweeping personnel changes in the middle and lower levels of the party in Bohemia and Moravia. The conservatives also have weakened Husak's program to rehabilitate political prisoners unjustly condemned during the Stalinist era. The party's official rehabilitation report--which would incriminate many hard liners--has been shelved, and the party rehabilitation commission, now chaired by a conservative, is rejecting one half of all applications for reviews.

The hard liners are also urging more repressive measures--hinting that arrests might be necessary--against still defiant groups of intellectuals and workers, many of whom are openly opposing Husak's cooperation with the conservatives. Open protest is still possible because police terror has not been reinstated as an instrument of policy and because Husak and his hard-line protagonists have been preoccupied with gaining control of the party.

Earlier this month, progressive workers held unsanctioned meetings in the industrial towns of Ostrava and Kladno. In these and other places, a production slowdown is spreading among factory workers who are politically disenchanted and apprehensive about economic belt-tightening measures.

The mass media have been silenced, but the liberal intellectuals are now getting support from some Czech party politicians who are demanding that the dissident Czech writers' and journalists' unions be permitted new journals to replace those that have been banned. Perhaps as a sop to the disaffected writers, Husak declared in Moscow that censorship will be abolished after an undefined, but probably lengthy "transition period." Husak probably will relax press restrictions once he is assured that the editors will voluntarily eschew anti-Soviet and antiregime articles.

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NEW FRENCH PRESIDENT FACES SERIOUS DOMESTIC PROBLEMS

Georges Pompidou officially took power yesterday as the second President of France's Fifth Republic. In choosing a prime minister and putting together a new cabinet, Pompidou will be acutely aware that his most pressing problems during his first few months in office will be in the domestic rather than the foreign policy sphere.

The labor front has been unusually quiet since March. Union leaders were anxious to deny--first to De Gaulle during the referendum campaign, and then to Pompidou during the presidential campaign--any opportunity to exploit fears of instability. Such fears had greatly aided the Gaullist party in the parliamentary elections of June 1968. Deep-seated unrest persists, however, and labor, after allowing Pompidou a brief honeymoon until the August vacations are over, probably will renew agitation for increased wages to meet the rising cost of living. In fact, given the extremely weak position of the parties of the left in the National Assembly as well as the remoteness of new parliamentary elections, strikes and demonstrations will be the only effective way that the left can influence the Pompidou regime.

In dealing with labor unrest, government decisions will be shaped in large measure by fear of another financial crisis on the scale of last November's.

Evidence of an overheating of the economy has been accumulating since early spring. This will put heavy pressure on prices, and thus have a negative impact on France's trade balance. In these circumstances, any large inflationary labor settlement would almost certainly trigger another round of speculation against the franc, a development the government will definitely try to avoid.

Many observers in Paris believe the only man with sufficient stature to deal effectively with France's complex economic dilemma is Antoine Pinay, former Fourth Republic prime minister during the first years of De Gaulle's rule. Pinay's appointment to a cabinet position would, in the short term, bolster the confidence of the French in their currency and economic future, but a far-reaching program for coping with France's economic ills will be necessary. This program could include devaluation, new austerity measures, and tighter exchange controls.

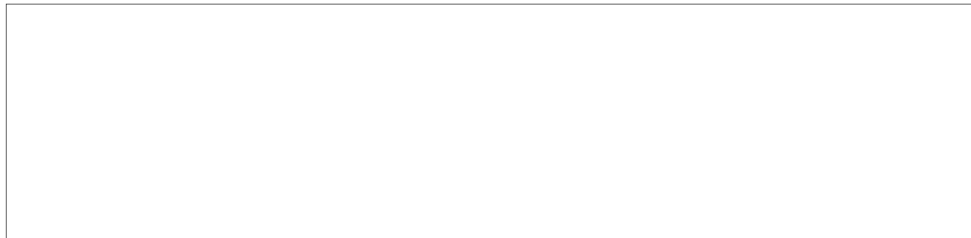
Fortunately for Pompidou, prospects are brighter on the student front. He is likely to continue the controlled experiment in university reform, begun after last May's crisis, with the reasonable expectation that these changes will keep student dissidence at a low level when classes resume late in the fall.

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MIDDLE EAST - AFRICA



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Efforts by Jordan's King Husayn to persuade Iran and Iraq to open negotiations in Amman on the Shatt al-Arab dispute have fallen through, at least temporarily. The Iraqis apparently attached conditions to beginning discussions which the Iranians found unacceptable. The Jordanians had hoped the talks would start this week.

In Pakistan, merger talks involving four minor parties have begun. A successful union of these parties probably will not simplify the political spectrum, now cluttered by a dozen or more parties and factions, because two more new parties reportedly are being formed. President Yahya Khan has warned that elections are unlikely until the plethora of parties has been significantly reduced.

Student demonstrations in Kabul have abated, and the first significant dialogue between alienated university officials and the government has taken place. Rumors persist, however, that a cabinet shuffle may be in the offing, with the government adopting firmer measures to maintain law and order.

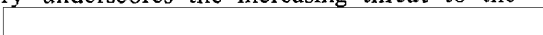
In Africa, the Eritrean Liberation Front (ELF) continues to publicize its cause by acts of sabotage outside Ethiopia. For the second time, the ELF has inflicted damage on an Ethiopian Airlines jet, this time in Karachi on 19 June.

Relief flights into secessionist Biafra have now virtually ceased, at least temporarily.



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The civil war itself remains essentially stalemated, but a Biafran air attack on 18 June on an oil installation in federal territory underscores the increasing threat to the continued flow of Nigerian oil.



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SUEZ CLOSURE SPEEDS DEVELOPMENT OF OVERLAND TRADE ROUTES

The closure of the Suez Canal, now two years old, has accelerated the development of overland trade routes between Europe and countries of the Middle East and South Asia, although most of the trade continues to move by way of the longer sea routes.

Routes between Iran and western Europe are being improved, Turkey is promoting its transit role in trade between Europe and points east of Suez, and several oil pipelines are under construction or have been proposed.

Shipments between Iran and Europe via the USSR--primarily through the port of Leningrad--have increased to the point of overtaking Iranian customs, rail, and port facilities. Soviet technicians are working with the Iranians, however, to improve the congested railroad facilities at Jolfa, to modernize the Jolfa-Tabriz railroad, and to expand Iranian ports on the Caspian as well as build a large new harbor. These programs also will facilitate the USSR's use of Iranian railroads and ports in its trade with the Middle East and South Asia.

The scheduled opening next year of the Central Treaty Organization railroad, which will link Iranian railroads, including lines to the Persian Gulf ports, with Turkey will provide an alternative to the trade routes through the USSR. Together with its neighbor-

ing countries, Turkey is trying to increase the use of an existing rail link across its territory from Europe to Iraq. The spur joining Baghdad with Basra, recently completed with Soviet assistance, has extended this line to the Persian Gulf. In addition, truck transport to Europe via Turkey and Lebanon is increasing as highways are improved.

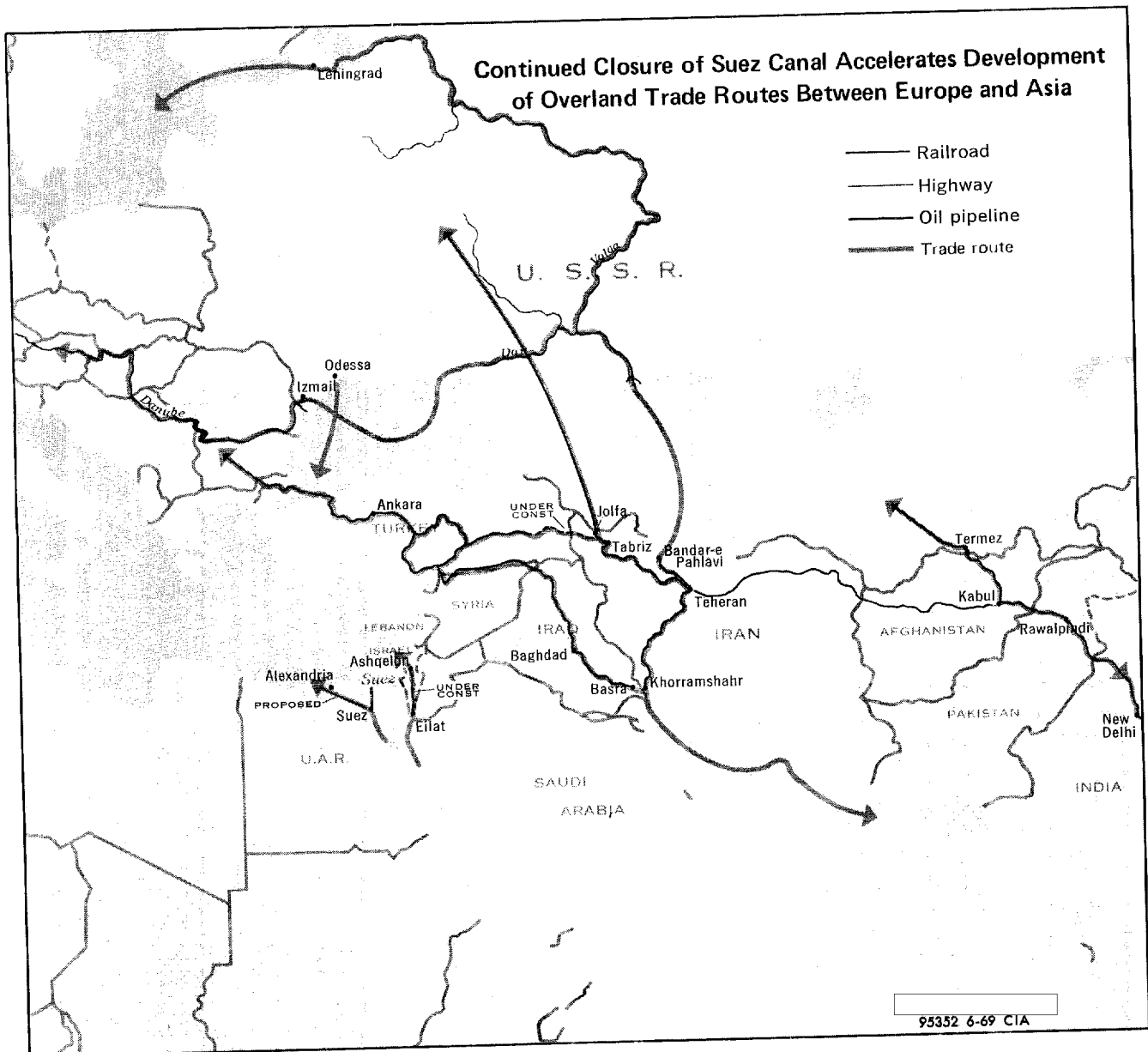
Closure of the canal has also lent impetus to the growing role of crude oil pipelines in the Middle East. Israel is working on a 42-inch pipeline from Eilat to the Mediterranean; the line's annual capacity will be 20 million tons when the first stage is completed later this year. Faced with the competitive threat of this pipeline, Egypt probably will proceed with its plans to construct a pipeline with an initial annual capacity of 50 million tons from Suez to Alexandria to move Egyptian and Middle East oil to the Mediterranean.

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GREEK GOVERNMENT CRACKS DOWN ON DISSIDENTS

In the past two months the Greek Government has begun a wave of trials and arrests of many of its opponents within the country. The regime appears securely entrenched, and its leaders apparently feel able to cope with any foreign criticism certain to be aroused by such actions.

The opposition elements primarily center around a small group of retired officers, ex-politicians, imprisoned Communists or Communist supporters, intellectuals, and a few students. Those opposing the regime, however, are not against the government for the same reasons, nor do they work together. There is no determined pattern of opposition, and the many resistance groups remain fragmented and largely ineffective.

Beginning early last spring, the government brought to trial many Communists and Communist supporters who had been in prison for several months. The trials were interrupted, from time to time, by the defendants who charged that they had been tortured. The government has countered these accusations by pointing to the recent escape and re-arrest of the would-be assassin, Alexander Panagoulis, citing his escape as proof of the leniency with which the government has treated such a criminal. Even though the trials were open to the public, they were almost totally ignored by the local press.

Although these incidents have so far caused no loss of life or extensive damage, they have become increasingly dramatic and could cause a drop in tourist travel to Greece.

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RHODESIAN FRONT'S PROPOSALS WILL WIN APPROVAL

The referendums on 20 June on Prime Minister Ian Smith's constitutional proposals and his plan to declare Rhodesia a republic are certain to be approved by the country's overwhelmingly white electorate. Because many voters are apparently still undecided, however, and opposition to the proposals has increased slightly, it is unclear how large a majority they will get.

A recent poll, although based on an extremely limited sampling, indicated that perhaps as many as 30 percent of the voters were still undecided. This number may in part represent voters who were puzzled at the outset by the need for a new constitution and whose doubts apparently have not been dispelled by campaign rhetoric.

The passage of Smith's proposals, moreover, will lead inevitably to a final break with Britain, and some Rhodesians still seem reluctant to take such a step.

Nevertheless, the Rhodesian Front will win, because it has

based its appeal squarely on white self-interest and continued white-minority rule. Smith's constitutional proposals are a clear example. Theoretically Africans could, under Smith's terms, obtain representational parity in the legislature as their income tax contributions increased and finally matched those of the whites. Even if they could do so, however, only half their number would be popularly elected, the other half would be tribal chiefs, the only African group that has consistently supported the Smith government.

Parity itself, however, is virtually impossible to obtain. In order for Africans to increase their legislative representation by even two, from 16 to 18 in a house initially to be composed of 66 members, their income tax contributions would first need to exceed 24 percent of the total. In 1967-68 Africans contributed less than one percent. Thus, as Smith has claimed, his proposals will ensure that government remains in "responsible hands."

At best, the Centre Party, Smith's main opponent and an advocate of settlement with Britain, has made a few inroads into the Front's strength, including drawing to its side the former

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commander of the Rhodesian Army and some low ranking Front officials.

Meanwhile, to pre-empt the the African states and keep the initiative, Britain took the

lead earlier this week in calling on the UN Security Council to condemn the Front's proposals.

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WESTERN HEMISPHERE

This week Governor Rockefeller began the third of his four fact-finding trips to Latin America. In sharp contrast to the last trip, this one has been very quiet—at least so far. During his three-day stay in Brazil, the Governor encountered practically no hostility, mostly because of the heavy security precautions imposed by the Costa e Silva administration. Paraguay, where the Governor arrived on 19 June, is also expected to be quiet, but there probably will be demonstrations in Uruguay, the Governor's last stop. The final trip will begin about the first of next month and will include Argentina and the Caribbean countries.

Argentina's President Ongania has completed the reorganization of the top echelon of his administration with the appointment of a new defense minister. The new minister is a brother of a key general on active service, and his appointment may be in response to a desire by high military officers to have a greater voice in the government's decisions. The Ongania regime will probably make some move to alleviate the student and labor unrest that has been prevalent since May, but the level of tension is likely to remain high for some time.

Chilean Foreign Minister Valdes is continuing to promote the idea that Cuba should be reintegrated into the inter-American system. In conversations with US officials last week, Valdes took the line that ending Cuba's isolation would reduce its threat as a source of revolution. He has often said in the past that Latin American nations, acting as a group, should resume trade and diplomatic relations with Cuba, but he has usually qualified his statements by asserting that Cuba must first stop "exporting" revolution. Valdes' attitude seems to have aroused little enthusiasm elsewhere in the hemisphere.

In Panama, Bolivar Urrutia was installed as acting president following the heart attack of President Pinilla on 10 June. Urrutia, the former deputy commandant of the National Guard, will preside over the government in form only. Current guard commandant, General Torrijos, remains the country's strong man.

The Peruvian Government's heavy-handed methods of dealing with its opposition are giving rise to increasing public resentment. At the same time, the resignation of the minister of agriculture and growing opposition in business circles to the government's economic policies may be creating a group that has both the means and the desire to oust President Velasco.

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OPPOSITION TO PERU'S MILITARY GOVERNMENT GROWS

The Peruvian Government's heavy-handed methods of dealing with its opposition are giving rise to increasing public resentment. At the same time, the resignation of the minister of agriculture, General Jose Benavides, and the growing opposition to current economic policies in business circles may be creating a group that has both the means and the desire to oust President Velasco.

The Lima press has been highly critical of the government for deporting the editor of a weekly news magazine and then closing down the publication. The action has been attacked by the leftist-leaning Lima Bar Association, of which many of the President's closest advisers are leading members, as well as by the National Federation of Journalists. The federation reportedly has decided to file a protest against this latest violation of the freedom of the press before the United Nations human rights commission and international journalist organizations. Most of the political parties, too, have gone on record publicly denouncing the government's action, marking the first time since the October coup that so many influential groups have publicly opposed the military government.

The government's harsh reaction to student protest demonstra-

tions has also created an issue on which its opponents believe they can take a stand without being labeled as traitors. The brutal police action at Catholic University in Lima following a minor student demonstration has drawn loud protests. The battering down of the university's front gate, which is considered a national monument, throwing of tear gas into orderly classrooms, and the use of night sticks and cattle prods on students and faculty alike, prompted the primate of the Peruvian Catholic Church to issue a communiqué expressing his "most energetic condemnation and protest" against these "intolerable outrages." He was joined in his protest by a good many of the political and journalistic groups that have supported the Velasco government.

Businessmen's disenchantment with the administration is also growing. The food price controls announced this week and the agrarian reform law that is expected are beginning to scare wealthy Peruvians. The food price controls, however, should be popular with the man in the street who is beginning to feel the pinch of higher prices and increasing unemployment. Even some of the President's closest advisers are unhappy with some of the government's policies, such as the proposed reorganization of the judiciary.

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The President apparently still has at least the tacit support of most of the army, and could probably head off any move against him at this time. This could change overnight, however, if civilian opposition continues to mount and if an effective and capable leader presents himself to those in and out of the army who would like to see Velasco removed.

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ARGENTINE CABINET REORGANIZED

Argentine President Ongania has completed the reorganization of the top echelon of his administration. The new cabinet must deal immediately with several major problems, with student and labor unrest heading the list.

On 18 June, Ongania filled the last post in his five-man cabinet. The key post of economy minister went to Jose Maria Dagnino Pastore, a young Harvard-trained economist who had been serving as chief of the government's national development council. Outgoing minister Krieger Vasena reportedly recommended Dagnino Pastore, and there will

probably be no great variation from the current economic program in the near future. The new minister is likely to grant some benefits to labor in order to alleviate the unrest among workers, but these measures probably will not come close to meeting the demands of the militant unions.

The new interior minister is retired General Francisco Imaz. He moved to the cabinet from the governorship of Buenos Aires Province, where Dagnino Pastore had served as his economy minister. There was some military opposition to the appointment of Imaz because of his alleged strong nationalist

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and pro-Peronist orientation, but the exact degree and extent of this dissatisfaction is not clear.

Ongania appointed Juan Martin, a prominent livestock grower and proponent of increased trade, to head the Foreign Ministry. Martin held a number of public posts under the Frondizi administration, and has just been the ambassador to Japan.

Another key position--that of secretary of education--was given to Dardo Perez Guilhou, rector of the National University of Cuyo in western Argentina. Perez, who will become education minister when that post is formally established, will have the difficult task of responding to the demands--some of them legitimate--of militant students, while at the same time preventing future disturbances like those that erupted in May.

The appointment of Jose Rafael Caceres Monie as defense min-

ister may be in response to a desire by high military officers to have a greater voice in the government's decisions. He is a brother of the director of the national paramilitary police organization, and served briefly as secretary general of the presidency in the military-backed Guido administration in 1962, following the overthrow of Frondizi.

The fact that there were discussions in high military circles about Ongania's cabinet choices--and some opposition to them--suggests that the armed forces chiefs have begun sitting in judgment on the government's decisions. This process of "deliberation" is one Ongania has worked hard to eliminate during his three years in office, and its reactivation appears to indicate some decline in the President's personal power and prestige.

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COPPER AND POLITICS MIX IN CHILE

As negotiations continue between the Chilean Government and the Anaconda Company over a basic revision of the tax and ownership arrangement agreed upon two years ago, politicians are rushing to introduce legislation in Congress that would nationalize the company outright.

The government is attempting to work out an agreement whereby Chile would obtain majority control in operations now wholly owned by Anaconda. In addition, a new tax procedure would be arranged with Anaconda, Cerro, and Kennecott to give the government a higher share in the revenues from the current high world price of copper.

President Frei believes that unless he can come to an acceptable agreement with Anaconda and the other US companies, Congress will pass nationalization legislation. He does not wish to face the economic and political consequences of such action and is trying to gain popular support for his approach to full control over copper. Politicians, even those within his own party, are increasing the pressure on him, however. Nationalization is a very popular, emotional issue in Chile, and, with a presidential election only 14 months away, the political parties are trying to capitalize on it.

The first official entrant in the nationalization sweepstakes was the Radical Party, which is

trying to establish its leftist credentials so that the Socialists and Communists will support a Radical presidential candidate. The Radical bill permits the government to nationalize not only the Anaconda operations but also the private shares in the government's joint ventures with Anaconda, Kennecott, and Cerro Corporation. The US Embassy calculates that the bill, as drafted, would leave Anaconda with nothing and the holders of shares in mixed companies with very little. A bill drafted by the Communists, Socialists, and break-away Christian Democrats provides somewhat more but hardly adequate compensation, as does one submitted by moderate Christian Democrats for consideration by the party leadership.

There is some disagreement within the copper workers' unions as to the benefits of nationalization. Copper workers always have received higher pay and more liberal fringe benefits than other groups. Many rank-and-file workers believe that nationalization would make them government workers and thus subject them to lower rates of pay and increased bureaucratic interference. In spite of this sentiment, the leftist-controlled Copper Confederation probably will continue to support its recent resolution favoring nationalization because its leaders are solidly behind the position of the Marxist parties.

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RULING DOMINICAN PARTY FACES SPLIT

Vice President Lora's public refusal to support President Balaguer if he seeks re-election next May increases chances for an open break in party ranks.

Last week the vice president shattered any semblance of party unity by categorically refusing to accept second place on the Reformista ticket again. He further stated that he would not support Balaguer's re-election "under any circumstances," a major departure from his previous public position that he would respect the party's decision.

Lora's declarations are an outgrowth of the intensive internal party struggle under way around the country. Since the beginning of the year, Lora has been actively lobbying for his party's presidential nomination; supporters of Balaguer have taken countermeasures. In Santiago, the nation's second largest city, a municipal council meeting last month degenerated into a brawl between supporters of the two men that was broken up by police. Other city councils, including that in the capital, have suffered similar divisions.

The President's own equivocal public stance has been partly re-

sponsible for the divisive infighting. Balaguer has hinted he will be "available" for renomination, but Lora is apparently convinced that substantial opposition will dissuade the President from seeking a second term.

Although Balaguer has publicly characterized Lora as a "capable" candidate and qualified for the presidency, his actions belie that statement.

Lora's decision to shift the battle to the public forum probably reflects, in part, the success of Balaguer's backstage maneuvering.

Opposition parties on both the left and right, which have already focused on "no re-election" as the overriding campaign issue, would be emboldened by a public split in Reformista ranks. Anti-Balaguer forces, both in the government and outside it, are apparently confident that they can demonstrate widespread public opposition to Balaguer's seeking a second term. The political unrest generated by their efforts will probably be accentuated as the elections approach.

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